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PROVINCE OF ONTARIO

BRIEF TO THE ROYAL COMMISSION ON

THE WORKMEN'S COMPENSATION ACT

Submitted September, 1966 by

INVESTMENT DEALERS' ASSOCIATION  
OF CANADA





To The Royal Commission on The Workmen's Compensation Act  
The Honourable George A. McGillivray, Commissioner.

Dear Mr. Commissioner

This submission deals with the investment powers of the  
Ontario Workmen's Compensation Board.

Presently the Ontario Workmen's Compensation Board administers  
an accident fund with investments totalling about \$264,000,000.  
According to Section 107 of the Workmen's Compensation Act the Board is  
authorized to invest only in securities issued by the Province of  
Ontario or the Dominion of Canada or in securities the payment of which  
is guaranteed by either government (Exhibit 1). The bulk of the invest-  
ment, about \$260,000,000, has an annual yield of 4.637%.

There is great variation in the investment powers of the  
different provincial Workmen's Compensation Boards. After Ontario the  
powers of the British Columbia Workmen's Compensation Board are the  
most restricted, but even in that province certain municipal bonds are  
approved investment. In the most liberal province, Manitoba, preferred  
and common shares of Canadian companies are approved investments if they  
meet certain dividend requirements. The relevant provisions of the  
various provincial Acts are annexed (Exhibit 2).

In Canada trust funds are generally subject to two types of  
control. In the first place the types of investment approved for the  
different trust funds are prescribed by statute. In the second place  
there are annual government inspections of the investments of the trust  
funds. Insurance company investments are a good example of trust fund  
control.

Life insurance companies subject to the Canadian British  
Insurance Companies Act, R.S.C. 152, Ch. 32, have a combined investment  
of about 12 billion dollars. These insurance companies have very wide  
investment powers encompassing not only Government bonds and bonds  
secured by mortgage on real estate but also shares of companies meeting  
certain requirements as well as other forms of investment (Exhibit 3).  
The safeguard provided by the Act is the yearly inspection of the



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companies' books by the Federal Superintendent of Insurance. In 1965 the average net rate of investment income of these insurance companies varied from a low of 4.7% to a high of 6.28%. In terms of size and number the majority were over 5.0%.

In Ontario the Pension Benefits Act 1965 (in the regulations O. R. 1036) defines the investment powers of pension schemes in the province. These regulations, in part borrowed from the Canadian and British Insurance Companies Act, allow investment in -

Bond type securities where federal and provincial credit is directly or indirectly involved,

Preferred and common shares of companies meeting certain dividend requirements,

Real estate and leases on certain conditions,

Mutual funds and investment companies, etc.

(Exhibit 4)

Figures showing the total investment of Ontario pension funds and their average net rate of investment income are not available. However, trust companies administering some of these funds report that there are two main types of pension fund investments. The majority put the bulk of their investments either in bonds or in common stocks and mortgages. In investment portfolios where the bonds predominate, the average yield has been 3½ to 4½% yearly. In investment portfolios where common stocks and mortgages predominate the average yield has been over 5% yearly. The pension plan covering members and employees of the Workmen's Compensation Board operates under the Ontario Pension Benefits Act 1965. This fund has a total investment of over \$16,000,000 and the average yearly yield has been 4.95%.

Under the Ontario Trustee Act, trustees are not permitted to invest in equities. However, trustees are permitted to invest in Government bonds, provincial bonds, municipal bonds, first mortgages on real estate in Canada, and certain other restricted types of investment (Exhibit 5).

The current range of bond yields is:

|                       |         |
|-----------------------|---------|
| Government of Canada  | 5½ - 6% |
| Provincials           | 6½ - 6¾ |
| High grade municipals | 6½ - 7% |





If trustee investments were authorized for the Workmen's Compensation Board Accident Fund, then a proportion of the funds could be transferred from Canada and Ontario bonds to other provincial and municipal bonds. If a quarter of the Fund were to be transferred to municipal bonds, approximately a .50% increase in average yearly yield would result. This would increase the income from the investments by about \$375,000 per year, which is about \$100,000 more than is currently spent by the Workmen's Compensation Board on rehabilitation yearly.

The restricted scope of trustee investments could not jeopardize the sacred trust character of the Workmen's Compensation Board's accident fund. A further guarantee of the proper administration of accident fund investment is the yearly examination by the Provincial Auditor of the accounts of the Board as required by Section 78 of the Act.

Experience with other trust type funds show that with yearly inspections it is possible to maintain safeguards while allowing a broader range of investments than is presently allowed by the Workmen's Compensation Act. Therefore, it is respectfully submitted that the Ontario Workmen's Compensation Act be amended so as to permit investments authorized for trustees under the Trustee Act of Ontario.

September 8, 1966.





EXHIBIT 1

Section 107 of The Ontario Workmen's Compensation Act

In order to maintain the accident fund as provided by section 84, the Board may from time to time and as often as may be deemed necessary include in any sum to be assessed upon the employers and may collect from them such sums as may be deemed necessary for that purpose and the sums so collected shall form a reserve fund and shall be invested in the securities issued by the Province of Ontario or in securities the payment of which is guaranteed by it or in securities issued by the Dominion of Canada or in securities the payment of which is guaranteed by it.





EXHIBIT 2

This exhibit contains the relevant excerpts dealing with the investment power of Workmen's Compensation Boards in all provinces of Canada other than Ontario.





ALBERTA

The Workmen's Compensation Act, R.S.A. 1955, c. 370.

s. 6 - Restricted the power to invest in any securities  
authorised for the investment of trust funds.

The Trustee Act, R.S.A. 1955, c. 346; as am. S.A. 1965, c.94.

2.3

- (1)(a) in any stock, debentures or securities of the Government of Canada or of any of the provinces of Canada.
- (b) in any debentures or securities the payment of which is guaranteed by the Government of Canada or any province of Canada, or
- (c) in the debentures of any city, town, village, municipal district, county, municipal hospital district, school division or school district in the Province, or in the debentures of any municipality of any other province of Canada.
- (2) securities that are a first charge on land held in fee simple if reasonable and proper in other respects.
- (3) Trustees may
  - (a) deposit trust funds with an approved corporation,
  - (b) invest in
    - (i) terminable debentures or debenture stock of an approved corporation, and
    - (ii) guaranteed investment certificates of an approved corporation registered as a trust company under The Trust Companies Act, 1960.

The debentures or guaranteed investment certificates must be registered and transferable only on the books of the corporation in their name as trustees.

- (c) in investment contracts within the meaning of The Investment Contracts Act issued by an approved corporation that is registered as an issuer under that Act.





ALBERTA (Continued)

The Trust Act (Continued)

(5) Approved corporation

(a) is empowered to lend money upon the security of real estate,

(b) either

(i) has both a subscribed and paid-up permanent capital of which at least five hundred thousand dollars is unimpaired and a reserve fund derived solely from earnings amounting to at least twenty-five per cent of its paid-up capital, or

(ii) has a subscribed and paid-up permanent capital of which at least one million dollars is unimpaired and has been carrying on business in Alberta continuously for at least three years immediately prior to the application for approval:

and

(c) the corporation's permanent capital stock has a market value or established value that is not less than seven per cent in excess of the par value thereof.





BRITISH COLUMBIA

Workmen's Compensation Act, R.S.B.C. 1960, c.413

s.56(3) - a surplus in the Accident Fund is to be invested and reinvested in direct or guaranteed obligations of Canada or any Province of Canada, with preference to be given obligations guaranteed by the Province of British Columbia and incurred in connection with the construction of schools, sewers, and domestic water systems, and municipal works under The Public Schools Act, the Public Schools Construction Act, 1953, the Improvement Districts Assistance Loan Act, and the Municipalities Assistance Act.





## MANITOBA

The Workmen's Compensation Act, R.S.M. 1954, c. 297 as am. S.M.,  
1961, c. 70.

s. 70(7) - the surplus in the accident fund is to be invested as  
authorized by the Trustee Act.

The Trustee Act, R.S.M. 1954, c. 273; as am. S.M. 1965, c. 86.

s. 63 (2)

- (a) government issues - including federal, provincial and municipal securities and those of the U.S.A. and U.K.,
- (b) securities guaranteed by any of the governments in (a) above,
- (c) securities secured by or payable out of provincial property taxes, issued for school, hospital, and like purposes;
- (d) bonds or debentures of a company or institution incorporated in Canada which are secured by the assignment to a trust company in Canada of payments that the Government of Canada has agreed to make - if these payments will meet the principal upon maturity and the interest as it falls due;
- (e) bonds or debentures of a Canadian company or institution which are secured by the assignment to a trust company in Canada of payments payable by virtue of a provincial statute, if they are sufficient to meet principal and interest;
- (f) bonds, etc. of Canadian corporations if:
  - (i) secured by a mortgage to a trustee of real estate, plant or equipment, and bonds or debentures,
  - (ii) the corporation has earned and paid a dividend in the five preceding years at least equal to the specified annual rate on its preferred shares; or certain dividends upon its common shares for the previous five years;
- (g) guaranteed trust certificates of Canadian trust companies which are registered in Manitoba, which meet certain capital requirements, and which have been approved by Order-in-Council;







MANITOBA (Continued)

The Trust Act (Continued)

- (h) notes on deposit receipts of banks;
- (i) loan company debentures - incorporated in Canada, registered, capital requirements and approval;
- (j) preferred shares of a corporation incorporated federally or provincially and which meets certain dividend requirements;
- (k) common shares of a corporation incorporated federally or provincially and which meets certain dividend requirements;
- (l) first mortgages, charges, or hypothecs upon real estate in Canada if insured under the National Housing Act and not over two-thirds of the value of the property.







## NEW BRUNSWICK

The Workmen's Compensation Act, R.S.N.B. 1952, c. 255; as am.  
S.N.B. 1965, c.48

s. 75 - Board may invest as authorized in the Trustee Act,  
except mortgages on real estate.

The Trustee Act, R.S.N.B. 1952, c. 239; as am. S.N.B. 1962, c.34,  
S.N.B. 1964, c.59; S.N.B., 1965, c.44.

s. 2(1) Trustees may invest in

- (a) any stock, bonds, debentures or securities of the Government of Canada or any Province or of the Canadian Farm Loan Board;
- (b) corporate bonds or debentures if guaranteed as to principal and interest by Canada or a Province, or by any New Brunswick municipality, city, town or incorporated village, or by the New Brunswick Industrial Development Board;
- (c) bonds or debentures of a corporation under the Local Improvement Districts Act, or trustees of a school district;
- (d) (first charges on land);
- (e) in the guaranteed trust or investment certificates or receipts of an approved Canadian or provincial trust company providing they are reasonable and proper.

4(1) Terminal debentures or debenture stock of any federally or provincially incorporated corporation, if certain conditions are met;

4(2) the corporation must have subscribed permanent capital of at least \$300,000 and meet other requirements of share market value (at least 7% premium) and reserve fund (25% of capital if more than 75% of subscribed capital is paid in); the corporation must be approved by Order-in-Council and must make a deposit with the Provincial Secretary-Treasurer.





NEWFOUNDLAND

The Workmen's Compensation Act, S.Newf.1962, No. 32.

s. 38(1) The Board may invest in securities authorized by the  
Trustee Act and approved by the Minister of Finance.

The Trustee Act, R.S.N. 1952, c.166; as am. S.N. 1964, No. 55;  
S.N. 1965, No. 47.

- s. 2(a) in Newfoundland Legislative stocks, public funds,  
Government securities, or any securities guaranteed  
by Newfoundland for the time being;
- (b) as above, for the United Kingdom;
  - (c) as above, for the Government of Canada;
  - (d) as above, for any Province;
  - (e) St. John's and Cornerbrook sinking-fund, bonds or  
debentures;
  - (f) investment certificates of an approved trust company;
  - (g) bonds, debentures, debenture stock or other securities  
of any loan company approved by the Lieutenant-  
Governor in Council; and
  - (h) first mortgages of land within the limits of St.  
John's, Corner Brook, Grano Falls, Gander, or  
Stephenville.

s. 7 A Trustee may invest in bearer securities, if they  
would have been otherwise authorized.





NOVA SCOTIA

Workmen's Compensation Act, R.S.N.S. 1952, c. 319

s. 22 - The Board may invest in those securities authorized  
by the Trustee Act.

The Trustee Act, R.S.N.B. 1952, c. 301; as am. S.N.S. 1957, C. 54;  
S.N.B. 1959, c. 43; S.N.B. 1953, C. 39;  
S.N.S. 1965, c. 54.

s. 2(1) Trustees may invest in

- (a) the Dominion Savings Bank;
- (b) debentures or bonds of the Dominion, Nova Scotia,  
or of any city, town or municipality in Nova Scotia;  
or in debentures or bonds of which the principal and  
interest is guaranteed by the Dominion, Nova Scotia,  
or a city etc. in Nova Scotia; or if the debt and  
its interest is a charge upon the assets of any  
Nova Scotia city etc.
- (c) mortgages of real property or in the deposit receipts  
of any bank governed by the Bank Act provided it has  
been carrying on business for at least ten years and  
has a reserve of at least 40% of its paid up capital  
stock;
- (d) bonds or debentures secured by a mortgage of real  
property;
- (e) investment certificates of an approved trust company  
if their terms guarantee payment of the amount re-  
ceived with interest by the trust company;
- (e)-(p) particular bond issues of certain religious bodies,  
hospitals and the Y.W.C.A.;
- (q) preferred shares of any Canadian corporation meeting  
requirements of dividend payments during the pre-  
ceding five years.
- (r) fully paid common shares of a Canadian Corporation  
meeting dividend requirements during the preceding  
seven years;





The Trust Act (Continued)

- (s) First mortgage charge or hypothec upon real estate in Canada if the loan does not exceed 75% of the real market value.
- (t) bonds or debentures of a public utility;
- (u) debentures of The Royal Trust Company Mortgage Corporation.
- (2) Debentures and deposits of Canada Permanent Mortgage Corporation.
- (3) A trustee may invest in the above securities notwithstanding that they may be redeemable and that the price exceeds the redemption value.
- (4) In investing under (q) or (r) above, purchases are not to exceed 30% of the common stock and 30% of the total issued shares.
- (5) No investments are to be made under (q) and (r) that would cause the aggregate market value of the investments to exceed 30% of the market value at that time of the whole trust estate.
- (6) No investment is to be made under (r) which would cause the aggregate market value of investments made thereunder to exceed 15% of the market value at that time of the whole trust estate.

Sec. 6 In addition a trustee may invest in such other securities/are approved by the court or a judge.





PRINCE EDWARD ISLAND

The Workmen's Compensation Act, R.S.P.E.I. 1951, c. 178.

s. 33      The Board may, with the written approval of the Provincial Treasurer, invest in securities authorized under the Trustee Act.

The Trustee Act, R.S.P.E.I. 1951, c. 167.

s. 2      A trustee may invest in

- (a) stocks, public funds, bonds, debentures or securities of the Government of Canada or of the Bank of Canada;
- (b) stocks, public funds, bonds, debentures or securities of any Province;
- (c) bonds, debentures or securities the principal whereof is guaranteed by Canada or any Province;
- (d) first mortgage securities on Prince Edward Island real estate;
- (e) debentures or securities of the capital cities of Canada or of any province, or of the Town of Summerside, or of any city with a population of over 50,000 in Ontario, Quebec, New Brunswick or Nova Scotia.
- (f) debentures, debenture stock or guaranteed investment certificates of
  - (1) Canada Permanent Toronto General Trust Company;
  - (2) Eastern and Chartered Trust Company;
  - (3) Acadia Loan Corporation;
  - (4) Nova Scotia Savings, Loan and Building Society;
  - (5) The Montreal Trust Company;
  - (6) The Royal Trust Company;
  - (7) The Royal Trust Company Mortgage Corporation;
  - (8) Investors Trust Company;
  - (9) The Central Trust Company of Canada;
  - (10) Nova Scotia Savings & Loan Company.

.... (g)







PRINCE EDWARD ISLAND (Continued)

The Trustee Act (Continued)

- (g) with Court approval, any insurance policy on the life of the cestin que trust, his wife or child;
- (h) debentures and debenture stock, deposit receipts, certificates and accumulating debentures of The Eastern Canada Savings and Loan Company;
- (i) first mortgage bonds or debentures of certain hospitals;
- (j) first mortgage bonds or debentures of certain religious bodies.





## QUEBEC

Workmen's Compensation Act, R.S.Q. 1964, c. 159.

s. 97 In order to maintain the accident fund to meet the requirements of s. 75, the Commission may from time to time increase the assessment; the sums thus collected shall form a reserve fund and shall be invested in conformity with article 9810 of the Civil Code.

## Civil Code of Quebec

Art. 9810 - Trustees must invest in:

- (a) Stock or debentures of the Dominion or of any province;
- (b) Public securities of the United Kingdom or United States;
- (c) Stock or debentures guaranteed by the Government of the Dominion or by that of any province;
- (d) Stocks or debentures of Quebec municipalities;
- (e) Bonds or debentures of any Quebec school corporation;
- (f) Bonds or debentures issued by those who are by law authorized to contract loans for construction and repair in Quebec of churches, parsonages and cemeteries;
- (g) Real estate in Quebec;
- (h) First privilege or first hypothec upon real estate in Quebec up to  $\frac{3}{5}$  of the municipal valuation of the real estate;
- (i) Bonds or debentures issued by institutions governed by the Quebec Public Charities Act, of which the principal, interest or sinking fund the province has undertaken to pay;
- (j) The bonds or debentures in (i) of which a Quebec municipality has guaranteed or agreed to make the payment;

.... (k)





QUEBEC (Continued)

Civil Code of Quebec (Continued)

- (k) Bonds or debentures of **Quebec** loan societies, designated by the Lieutenant-Governor in Council, whose ordinary operations consist in making loans to municipal and school corporations, to fabriques and to trustees for the construction or repair of churches, or secured by first privilege or first hypothec on Quebec real estate;
- (l) Bonds or other evidences of indebtedness secured by the transfer to a trustee of an undertaking by the government of the Province, of Canada or of any province of Canada to pay each year sufficient subsidies to meet the interest and principal at maturity





## SASKATCHEWAN

Section 112 of the Saskatchewan Workmen's Compensation (Accident Fund) Act reads as follows:

"In order to maintain the accident fund as required by section 88 the board may include in any sum to be assessed upon the employers and may collect from them such sums as the board deems necessary for that purpose and the sums so collected shall form a reserve fund and shall be invested in securities in which a trustee may by law invest trust moneys."

Section 3 of the Saskatchewan Trustee's Act reads as follows:

"A trustee may invest any trust money in his hands, if the investment is in all other respects reasonable and proper, in any of the following classes of securities:

- (a) securities of the Government of Canada, the Government of any province of Canada, any municipal corporation in Saskatchewan, the Government of the United Kingdom or the Government of the United States of America;
- (b) securities, the payment of the principal and interest of which is guaranteed by the Government of Canada, the Government of any province of Canada, any municipal corporation in Saskatchewan, the Government of the United Kingdom or the Government of the United States of America;
- (c) bonds or debentures of any municipal corporation, school district, school unit, or drainage district in Saskatchewan, or debentures issued under The Rural Telephone Act or The Union Hospital Act;







- (111) has a reserve fund amounting to not less than twenty-five per cent of its paid-up capital;

and the stock of which has a market value that is not less than seven per cent in excess of the par value thereof;

- (1) preferred shares of any corporation incorporated under the laws of Canada or of a province of Canada that has paid:
  - (1) a dividend in each of the five years immediately preceding the date of investment at least equal to the specified annual rate upon all of its preferred shares; or
  - (11) a dividend in each year of a period of five years ended less than one year before the date of investment upon its common shares of at least four per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;
- (j) first mortgages, charges or hypothecs upon real estate in Canada where the loan:
  - (1) does not exceed sixty-six and two-thirds per cent of the value of the property at the time of the loan as established by a report as to the value of the property made by a person whom the trustee reasonably believed to be a competent valuator, instructed and employed independently of any owner of the property, whether such valuator carried on business in the locality where the property is situated or elsewhere; and
  - (11) was made on the advice of the valuator expressed in the report;

provided that the limitation of the amount of the loan does not apply to insured loans under the National Housing Act, 1954 (Canada);
- (k) securities issued or guaranteed by the International Bank for Reconstruction and Development established by the Agreement for an International Bank for Reconstruction and Development, approved by the Bretton Woods Agreement Act, 1945 (Canada), but only if the bonds, debentures or other securities are payable in the currency of Canada, the United Kingdom, any member of the British Commonwealth or the United States of America, 1965, c.79, s.3."







- (d) bonds, debentures or other evidences of indebtedness of a company, society or association operating commercially on a co-operative basis and incorporated by a special Act of the Legislature or incorporated by a special Act of the Parliament of Canada and registered under The Co-operative Associations Act or The Co-operative Marketing Associations Act;
- (e) bonds, debentures or other evidences of indebtedness of a corporation that are secured by the assignment to a trustee of payments that the Government of Canada or the government of any province of Canada has agreed to make, if such payments are sufficient:
  - (1) to meet the interest on all such bonds, debentures or other evidences of indebtedness outstanding as it falls due; and
  - (11) to meet the principal amount of all such bonds, debentures or other evidences of indebtedness upon maturity;
- (f) bonds, debentures or other evidences of indebtedness of a corporation incorporated under the laws of Canada or any province of Canada that are fully secured by a mortgage, charge or hypothec to a trustee upon any, or any combination, of the following assets:
  - (1) real estate;
  - (11) the plant or equipment of a corporation that is used in the transaction of its business;
  - (111) bonds, debentures or other evidences of indebtedness or shares of a class or classes authorized by this section;where that corporation has earned and paid;
  - (iv) a dividend in each of the five years immediately preceding the date of investment at least equal to the specified annual rate upon all of its preferred shares; or
  - (v) a dividend in each year of a period of five years ended less than one year before the date of investment upon its common shares of at least four per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid;
- (g) guaranteed trust or investment certificates of a trust company that is incorporated under the laws of Canada or of a province of Canada and that is approved by the Lieutenant Governor in Council;
- (h) bonds, debentures or other evidences of indebtedness of a loan corporation or like corporation that at the time of investment:
  - (1) has power to lend money upon mortgages, charges or hypothecs of real estate;
  - (11) has a paid-up non-returnable capital stock of not less than \$500,000;







EXHIBIT 3

Investment Powers of Insurance Companies Under the Canadian and British Insurance Companies Act

63. (1) A Company may invest its funds or any portion thereof in
- (a) the bonds, debentures, stocks or other evidences of indebtedness of or guaranteed by the Government of
    - (i) Canada, Australia, Ceylon, India, New Zealand, Pakistan, the Union of South Africa, and the United Kingdom, or any province or state thereof, and Southern Rhodesia and the Republic of Ireland,
    - (ii) a colony of the United Kingdom,
    - (iii) the United States of America or a state thereof,
    - (iv) any country in which the company is carrying on business, or a province or state thereof, or
    - (v) any colony, dependency, territory or possession of any country if the company is carrying on business in that colony, dependency, territory or possession;
  - (b) the bonds, debentures or other evidences of indebtedness of or guaranteed by a municipal corporation in Canada or in any country in which the company is carrying on business, or of a school corporation in Canada or in any country in which the company is carrying on business, or secured by rates or taxes levied under the authority of a province of Canada on property situated in such province, or the bonds, debentures or other evidences of indebtedness of a fabrique that are fully secured by a mortgage, charge or hypothec upon real estate or by such rates or taxes;
  - (c) the bonds or debentures of a corporation that are secured by the assignment to a trust corporation in Canada of an annual payment that the Government of Canada has agreed to make, where such annual payment is sufficient to meet the interest falling due on the bonds or debentures outstanding and the principal amount of the bonds or debentures maturing for payment in the year in which the annual payment is made;
  - (d) the bonds or debentures issued by a charitable, educational or philanthropic corporation that are secured by the payment, assignment or transfer to a trust corporation in Canada of subsidies, payable by or under the authority of a province of Canada, sufficient to meet the interest as it falls due on the bonds or debentures and the principal amount of the bonds or debentures on maturity;
  - (e) the bonds, debentures or other evidences of indebtedness of a corporation that are fully secured by statutory charge upon real estate or upon the plant or equipment of the corporation used in the transaction of its business, if interest in full has been paid regularly for a period of at least ten years immediately preceding the date of investment in such bonds, debentures or other evidences of indebtedness upon the securities of that class of the corporation then outstanding;
  - (f) the bonds, debentures or other evidences of indebtedness issued by an authority or other body without share capital established and empowered pursuant to the law of a country in which the company is carrying on business, or of a







province or state thereof, or of a colony, dependency, territory or possession thereof in which the company is carrying on business, to administer, regulate the administration of, provide or operate port, harbour, airport, bridge, highway, tunnel, transportation, communication, sanitation, water, electricity or gas services or facilities and, for any of these purposes, to levy, impose or make taxes, rates, fees or other charges that

- (1) may be used only in carrying out the objects of the authority or other body and are sufficient to meet its operating, maintenance and debt service charges, or
- (11) in the case of an authority constituted by an Act of a national government, are fixed or authorized by law or subject to the approval of the government or a minister or ministry thereof or of a body responsible to the government or the minister or ministry;
- (g) the bonds, debentures and other securities issued or guaranteed by the International Bank for Reconstruction and Development established by the Agreement for an International Bank for Reconstruction and Development approved by subsection (1) of section 2 of the Bretton Woods Agreements Act;
- (h) the bonds, debentures or other evidences of indebtedness of a corporation that are fully secured by a mortgage, charge or hypothec to a trustee or to the company upon any, or upon any combination, of the following assets:
  - (1) real estate or leaseholds;
  - (11) the plant or equipment of a corporation that is used in the transaction of its business; or
  - (111) bonds, debentures or other evidences of indebtedness or shares, of a class authorized by this subsection as investments, or cash balances, if such bonds, debentures or other evidences of indebtedness, shares or cash balances are held by a trustee;
- and the inclusions, as additional security under the mortgage, charge or hypothec, of any other assets not of a class authorized by this Act as investments shall not render such bonds, debentures or other evidences of indebtedness ineligible as an investment;
- (1) obligations or certificates issued by a trustee to finance the purchase of transportation equipment for a corporation incorporated in Canada or the United States of America to be used on railways or public highways, if the obligations or certificates are fully secured by
  - (1) an assignment of the transportation equipment to, or the ownership thereof by, the trustee, and
  - (11) a lease or conditional sale thereof by the trustee to the corporation;
- (j) the bonds, debentures or other evidences of indebtedness
  - (1) of a corporation if, at the date of investment, the preferred shares or the common shares of the corporation are authorized as investments by paragraph (k) or (l); or
  - (11) of or guaranteed by a corporation where the earnings of the corporation in a period of five







years ended less than one year before the date of investment have been equal in sum total to at least ten times and in each of any four of the five years have been equal to at least one and one-half times the annual interest requirements at the date of investment on all indebtedness of or guaranteed by it other than indebtedness classified as a current liability in the balance sheet of the corporation; and if the corporation at the date of investment owns directly or indirectly more than fifty per cent of the common shares of another corporation, the earnings of the corporations during the said period of five years may be consolidated with due allowance for minority interests, if any, and in that event the interest requirements of the corporations shall be consolidated and such consolidated earnings and consolidated interest requirements shall be taken as the earnings and interest requirements of the corporation; and for the purpose of this subparagraph earnings mean earnings available to meet interest charges on indebtedness other than indebtedness classified as a current liability;

(ja) guaranteed investment certificates issued by a trust company incorporated in Canada if, at the date of investment, the preferred shares or the common shares of the trust company are authorized as investments by paragraph (k) or (l);

(k) the preferred shares of a corporation if

(i) the corporation has paid a dividend in each of the five years immediately preceding the date of investment at least equal to the specified annual rate upon all of its preferred shares, or

(ii) the common shares of the corporation are, at the date of investment, authorized as investments by paragraph (l);

(l) the fully paid common shares of a corporation that during a period of five years that ended less than one year before the date of investment has either

(i) paid a dividend in each such year upon its common shares, or

(ii) had earnings in each such year available for the payment of a dividend upon its common shares,

of at least four per cent of the average value at which the shares were carried in the capital stock account of the corporation during the year in which the dividend was paid or in which the corporation had earnings available for the payment of dividends, as the case may be, but

(iii) except as provided in sections 64, 64A, 90 and 90A, a company shall not purchase more than thirty per cent of the common shares of any corporation,

(iv) except as provided in section 90A, a company shall not purchase its own shares, and

(v) except as provided in sections 64A and 90, a company registered to transact the business of life insurance shall not purchase the shares of a company transacting the business of life insurance;







- (m) ground rents, mortgages or hypothecs on real estate or leaseholds in Canada or in any country in which the company is carrying on business, but the amount paid for the mortgage or hypothec together with the amount of indebtedness under any mortgage or hypothec on the real estate or leasehold ranking equally with or superior to the mortgage or hypothec in which the investment is made shall not exceed three-quarters of the value of the real estate or leasehold covered thereby;
- (n) mortgages or hypothecs on real estate or leaseholds in Canada or in any country in which the company is carrying on business or bonds or notes secured by such mortgages or hypothecs, notwithstanding that the mortgage or hypothec exceeds the amount that the company is otherwise authorized to invest, if the excess is guaranteed or insured by the government or through an agency of the government of the country in which the real estate or leasehold is situated or of a province or state of that country;
- (o) real estate or leaseholds for the production of income in Canada or in any country in which the company is carrying on business, either alone or jointly with any other insurance company transacting the business of insurance in Canada or with any loan company or trust company incorporated in Canada, if
  - (i) a lease of the real estate or leasehold is made to, or guaranteed by,
    - (A) the government, or an agency of the government, of the country in which the real estate or leasehold is situated or of a province, state or municipality of that country, or
    - (B) a corporation, the preferred shares or common shares of which are, at the date of investment, authorized as investments by paragraph (k) or (l),
  - (ii) the lease provides for a net revenue sufficient to yield a reasonable interest return during the period of the lease and to repay at least eighty-five per cent of the amount invested in the real estate or leasehold within the period of the lease but not exceeding thirty years from the date of investment, and
  - (iii) the total investment of a company in any one parcel of real estate or in any one leasehold does not exceed two per cent of the book value of the total assets of the company;and the company may hold, maintain, improve, lease, sell or otherwise deal with or dispose of the real estate or leasehold; or
- (p) real estate or leaseholds for the production of income in Canada or in any country in which the company is carrying on business, either alone or jointly with any other insurance company transacting the business of insurance in Canada or with any loan company or trust company incorporated in Canada, if
  - (i) the real estate or leasehold has produced, in each of the three years immediately preceding the date of investment, net revenue in an amount that, if continued in future years, would be sufficient to







yield a reasonable interest return on the amount invested in the real estate or leasehold and to repay at least eighty-five per cent of that amount within the remaining economic lifetime of the improvements to the real estate or leasehold but not exceeding forty years from the date of investment, and

- (11) the total investment of a company in any one parcel of real estate or in any one leasehold does not exceed two per cent of the book value of the total assets of the company;

and the company may hold, maintain, improve, lease, sell or otherwise deal with or dispose of the real estate or leasehold.

- (2) A company may lend its funds or any portion thereof on the security of

- (a) any of the bonds, debentures or other evidences of indebtedness, shares or other securities in which the company may invest its funds under subsection (1), but the amount of the loan together with the amount invested therein, if any, shall not exceed in the aggregate the amount that might be invested therein under this section;
  - (b) real estate or leaseholds for a term of years or other estate or interest in real estate in Canada or in any country in which the company is carrying on business, but the amount of the loan together with the amount of indebtedness under any mortgage or hypothec on the real estate or interest therein ranking equally with or superior to the loan shall not exceed three-quarters of the value of the real estate or interest therein, subject to the exception that a company may accept as part payment for real estate sold by it a mortgage or hypothec for more than three-quarters of the sale price of the real estate; or
  - (c) real estate or leaseholds in Canada or in any country in which the company is carrying on business, notwithstanding that the loan exceeds the amount that the company is otherwise authorized to lend, if, to the extent of the excess, the mortgage or hypothec thereon securing the loan is guaranteed or insured by the government or through an agency of the government of the country in which the real estate or leasehold is situated or of a province or state of that country.
- (3) Where a company owns securities of a corporation and as a result of a bona fide arrangement for the reorganization or liquidation of the corporation or for the amalgamation of the corporation with another corporation, such securities are to be exchanged for bonds, debentures or other evidences of indebtedness or shares not authorized as investments by the foregoing provisions of this section, the company may accept such bonds, debentures or other evidences of indebtedness or shares and they shall be allowed as assets of the company in the annual report prepared by the Superintendent for the Minister.







- (4) A company may make investments or loans not hereinbefore authorized by this section, including investments in real estate or leaseholds, subject to the following provisions:
- (a) investments in real estate or leaseholds pursuant to this subsection shall be made only for the production of income, and may be made by the company in Canada or in any country in which the company is carrying on business, either alone or jointly with any other insurance company transacting the business of insurance in Canada, and the company may hold, maintain, improve, develop, repair, lease, sell or otherwise deal with or dispose of such real estate or leaseholds, but the total investment of a company pursuant to this subsection in any one parcel of real estate or in any one leasehold shall not exceed one per cent of the book value of the total assets of the company;
  - (b) this subsection shall be deemed not to enlarge the authority conferred by subsections (1) and (2) to invest in mortgages or hypothecs and to lend on the security of real estate or leaseholds, and not to affect the operation of subparagraphs (iii), (iv) and (v) of paragraph (1) of subsection (1); and
  - (c) the total book value of the investments and loans made under this subsection and held by the company, excluding those that are or at any time since acquisition have been authorized as investments apart from this subsection, shall not exceed seven per cent of the book value of the total assets of the company.
- (5) A company registered to transact the business of life insurance may invest or lend its life insurance funds or any portion thereof in the purchase of, or on the security of, policies of life insurance issued by the company or by any other company registered to transact the business of life insurance in Canada.
- (6) Notwithstanding the foregoing provisions of this section, a company may invest or lend its funds as authorized by The National Housing Act, 1938, the National Housing Act, and the National Housing Act, 1954.
- (7) The total book value of the investments of a company in common shares pursuant to this section and sections 64 and 64A shall not exceed twenty-five per cent of the book value of the total assets of the company.
- (8) The total book value of the investments of a company in real estate or leaseholds for the production of income pursuant to paragraph (p) of subsection (1) and to subsection (4) shall not exceed ten per cent of the book value of the total assets of the company.
- (9) A company shall not lend any of its funds to a director or officer of the company or to the wife or a child of a director or officer except, in the case of a company registered to transact the business of life insurance, upon the security of the company's own policies of life insurance; nor shall a company lend any of its funds to a corporation if more than one-half of the shares of the capital stock of the corporation are owned by a director or officer of the company or the wife or a child of a director or officer, or any combination of such persons.
- (10) A company shall not invest any of its funds in bonds, debentures or other evidences of indebtedness on which payment of principal or interest is in default.







64.

(1) Notwithstanding anything in subsection (1) of section 63, a company, other than a company registered to transact the business of life insurance, may invest its funds in the fully paid shares of any other company transacting the business of insurance or of any corporation incorporated outside Canada and transacting the business of insurance, but no such investment shall be made if as a result thereof the total amount invested in such shares would exceed fifty per cent of the surplus of such company as shown in the most recent annual statement deposited in the Department as required by this Act and, subject to subsection (2), nothing in this section shall be deemed to affect the operation of subsection (7) of section 63.

(2) Any investment made, after the 13th day of April, 1927, and before the 1st day of January, 1936, under this section or under subsection (2) of section 58 of the Insurance Act, chapter 101 of the Revised Statutes of Canada, 1927, or under subsection (1A) of section 64 of the Insurance Act, 1917, as enacted by section 9 of chapter 59 of the statutes of 1926-27, shall not be deemed to be an investment in common shares within the meaning of subsection (7) of section 63.

(3) Except as provided in this section, no such company shall invest in the shares of any other company or corporation transacting the business of insurance.

64A. Notwithstanding anything in subsection (1) of section 63, a company registered to transact the business of life insurance may invest its funds in the fully paid shares of

- (a) any corporation incorporated outside Canada to undertake contracts of life insurance,
- (b) any corporation incorporated under the laws of Canada to undertake contracts of insurance other than contracts of life insurance, or
- (c) any corporation incorporated to acquire, hold, maintain, improve, lease or manage real estate or leaseholds,

subject to such terms and conditions as may be prescribed by the Treasury Board upon the report of the Superintendent.

65. Any company may take any additional securities of any nature further to secure the repayment to the company of any loan or investment, or further to secure the sufficiency of any of the securities in or upon which such company is by this Act authorized to invest or lend any of its funds.

66. (1) All investments and deposits of the funds of any company shall be made in its corporate name, and no director or other officer thereof, and no member of a committee having any authority in the investment or disposition of its funds shall accept or be the beneficiary of either directly or indirectly, any fee, brokerage, commission, gift or other considerations for or on account of any loan, deposit, purchase, sale, payment or exchange made by or in behalf of the company, or be pecuniarily interested in any such purchase, sale or loan, either as borrower, principal, co-principal, agent or beneficiary, except that if he is a policyholder he is entitled to all the benefits accruing under the terms of his contract.







(2) Where the laws of any state or country in which any company transacts, or is about to transact, business, require that the deposits made or to be made by such company in such state or country shall be made in the name of or transferred or assigned to, any person or corporation other than the company, this section does not prohibit such company from making in the name of, or transferring or assigning to, such other person or corporation, the investments and deposits necessary to comply with the said laws.

67. (1) Notwithstanding anything in its Act of incorporation or in any Act amending such Act, a company may acquire and hold real estate

- (a) required by it for its actual use or occupation;
- (b) reasonably required by it for the natural expansion of its business;
- (c) that is bona fide conveyed, mortgaged or hypothecated to it by way of security;
- (d) acquired and held by it as an investment pursuant to section 63;
- (e) conveyed to it in satisfaction in whole or in part of debts or judgments; or
- (f) in connection with the relocation by the company of the place of employment of an employee, where the real estate serves as the residence of the employee immediately after the relocation or served as the residence of the employee immediately before the relocation, but the real estate shall not be allowed as an asset of the company in the annual report prepared by the Superintendent for the Minister if held for more than two years following its acquisition.





EXHIBIT 4

Regulations Under the Ontario Pension Benefits Act, 1965

(O.REG 103/66)

14. (1) This section applies notwithstanding the provisions of any pension plan or any instrument governing the plan.

(2) The funds of a pension plan may be invested and loaned only in investments and loans in which a company may invest and lend under subsections 1, 2, 5, 6 and 10 of section 63 of the Canadian and British Insurance Companies Act (Canada), and the restrictions and limitations contained therein apply.

(3) Where a pension fund owns securities of a corporation and as a result of a bona fide arrangement for the reorganization or liquidation of the corporation or for the amalgamation of the corporation with another corporation, such securities are to be exchanged for bonds, debentures or other evidences of indebtedness, or shares not eligible as investments under subsection 2, the pension fund may accept and hold such bonds, debentures or other evidences of indebtedness or shares.

(4) The funds of a pension plan may be invested or loaned in investments or loans not authorized by subsection 2 or 3, including investments in real estate or leaseholds, subject to the following provisions:

1. Investments in real estate or leaseholds under this subsection shall be made in Canada and only for the production of income and may be made either alone or jointly with another plan and the fund or plan may hold, maintain, improve, develop, repair, lease, sell or otherwise deal with or dispose of such real estate or leaseholds, but the total investment of a fund under this subsection in any one parcel of real estate or in any one leasehold shall not exceed 1 per cent of the book value of the total assets of the fund.
2. This subsection shall be deemed not to enlarge the authority conferred by subsections 1 and 2 of section 63 of the Canadian and British Insurance Companies Act (Canada) to invest in mortgages or hypothecs and to lend on the security of real estate or leaseholds, and not to affect the operation of sub-paragraphs iii, iv and v of paragraph 1 of subsection 1 of the said section 63.
3. The total book value of the investments and loans made under this subsection and held by the fund, excluding those that are or at any time since acquisition have been eligible apart from this subsection, shall not exceed 7 per cent of the book value of the total assets of the fund.

- (5) The funds of a pension plan shall not be lent to,
- (a) the wife or a child of the employer or, where the employer is a corporation, a director or officer of the corporation or his wife or child;







- (b) a corporation of which more than one-half of the shares of the capital stock are owned by the wife or a child of the employer, or any combination thereof, or, where the employer is a corporation, by a director or officer of the employer corporation or his wife or child, or any combination thereof;
  - (c) an officer or employee of the fund or plan or an administrator or trustee of the fund or plan or an officer or employee of an administrator or trustee of the fund or plan or a union representing employees of the employer or an officer or employee of the union, or the wife or child of any of them; or
  - (d) the wife or child of an employee of the employer except on the security of a mortgage on the residential property of an employer's employee or the spouse or child of such employee primarily for his or her own use.
- (6) The funds of a pension plan shall not be invested or loaned if the result of the investing or loaning would be that more than 10 per cent of the book value of the total assets of the fund are invested in the assets of or loaned to any one corporation, partnership, association or person, including investment in shares, bonds, debentures or other evidences of indebtedness, loans by way of mortgage or otherwise and investment in real estate, plant or equipment occupied or used by the corporation, partnership, association or person.
- (7) All investments and deposits of the funds of a pension plan and all loans made out of a pension fund shall be made in the name of the fund or plan, and no officer or employee of the fund or plan, no trustee or administrator or officer or employee thereof, no employer, officer or employee thereof, no association of employees and no union, officer or employee thereof shall accept or be the beneficiary of, either directly or indirectly, any fee, brokerage, commission, gift or other consideration for or on account of any loan, deposit, purchase, sale, payment or exchange made by or on behalf of the pension fund.
- (8) In addition to the investments and loans authorized by subsections 2 and 3, and funds of a pension plan may be invested in,
- (a) a pooled, segregated or mutual fund; or
  - (b) the shares of a corporation,
    - (i) whose assets are at least 98 per cent cash, investments and loans,
    - (ii) that does not issue debt obligations, and
    - (iii) that obtains at least 98 per cent of its income from investments and loans,
- if the pooled, segregated or mutual fund or the corporation is limited in its investments to those a pension plan may make under this section and is subject to the limitations and restrictions of this section.
- (9) Where the funds of a pension plan are invested in accordance with subsection 8, subsection 6 does not apply to such funds.







(10) A pension fund or plan may take additional securities of any nature further to secure the repayment to the fund of any loan or investment, or further to secure the sufficiency of any of the securities in or upon which such fund or plan is authorized to invest or lend any of its funds.

(11) Where, on the date the fiscal year of a pension fund ends next following the 4th day of August, 1964, the loans and investments of a pension fund do not conform in whole or in part to the provisions of this Regulation, they shall be brought into conformity within five years of the end of such fiscal year.

(12) Where the provisions of this section differ from the corresponding provisions under the legislation of a designated province, the Commission may, in the case of a plan having plan members in such designated province, accept in whole or in part such corresponding provisions.





EXHIBIT 5

Section 26 of The Trustee Act of Ontario

26. A trustee may invest any trust money in his hands in the classes of securities mentioned in this section, but only if the investment is in other respects reasonable and proper,

- (a) bonds, debentures or other evidences of indebtedness,
  - (i) of or guaranteed by the Government of Canada,
  - (ii) of or guaranteed by the government of any province of Canada,
  - (iii) of or guaranteed by the Government of the United Kingdom,
  - (iv) of any municipal corporation in Canada, including debentures issued for public, separate, high or vocational school purposes, or guaranteed by any municipal corporation in Ontario, or secured by or payable out of rates or taxes levied under the law of any province of Canada on property in such province and collectible by or through the municipality in which such property is situated;
- (b) first mortgages, charges or hypothecs upon real estate in Canada;
- (c) bonds, debentures or other evidences of indebtedness of a corporation that are secured by the assignment to a trustee of payments that the Government of Canada has agreed to make, if such payments are sufficient to meet the interest as it falls due on the bonds, debentures or other evidences of indebtedness outstanding and to meet the principal amount of the bonds, debentures or other evidences of indebtedness upon maturity;
- (d) debentures of any loan corporation that is registered under The Loan and Trust Corporations Act;





- (e) guaranteed investment certificates of any trust company that is registered under The Loan and Trust Corporations Act;
- (f) bonds, debentures or other securities issued or guaranteed by the International Bank for Reconstruction and Development established by the Agreement for an International Bank for Reconstruction and Development approved by the Bretton Woods Agreements Act (Canada), if the bonds, debentures or other securities are payable in the currency of Canada or the United States of America.

